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## Breaking news

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By Editorial Staff    Tue, Apr 5, 2022

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*US among countries with lowest fund fees: Morningstar; Old-age poverty scarier than death for the unretired: Allianz Life; American Funds and Morningstar partner for 'Target Date Plus'; Prudential's PRIAC life company upgraded by AM Best; CVS sells PayFlex go Millennium Trust; The Standard offers ESG indexed annuity.*

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### **US among countries with lowest fund fees: Morningstar**

Morningstar has published the first chapter of its biannual Global Investor Experience (GIE) report, which assesses the experiences of mutual fund investors in 26 markets across North America, Europe, Asia, and Africa. The report is now in its seventh edition.

The first chapter, "Fees and Expenses," evaluates an investor's ongoing cost to own mutual funds compared to investors across the globe. Morningstar assigns a grade of Top, Above Average, Average, Below Average, and Bottom to each market.

For the fourth study in a row, Australia, the Netherlands, and the United States earned Top grades as the most investor-friendly markets in terms of fees and expenses. They earned top grades due to their typically unbundled fund fees. Bottom grades went to Italy and Taiwan as markets with the highest fund fees and expenses.

"In many markets, fees are falling, driven by a combination of asset flows to cheaper funds and the repricing of existing investments," said Grant Kennaway, head of manager selection at Morningstar and a co-author of the study.

"The increased prevalence of unbundled fund fees enables transparency and empowers investor success. However, the global fund industry structure perpetuates the use of upfront fees and the high prevalence of embedded ongoing commissions across 18 European and Asian markets can lead to a lack of clarity for investors. We believe this can create misaligned incentives that benefit distributors, notably banks, more than investors," he said in a release.

### **Old-age poverty scarier than death for the unretired: Allianz Life**

More than six in 10 non-retirees (63%) said they fear running out of money more than death, but fewer than half (46%) of retired respondents feel that way, according to the new 2022 Retirement Risk Readiness Study from Allianz Life.

Americans who are still balancing careers, family and saving worry more about their financial future today than they did a year ago. This is most true for those 10 or more years from retiring.

About two-thirds (68%) of pre-retirees believe they can afford to finance their future goals, down from 75% a year ago. Nine-tenths (89%) of retired respondents are confident about funding their future financial goals.

Key findings of the survey:

- 63% of non-retirees fear running out of money more than death, versus 46% of retired respondents
- 68% of pre-retirees feel confident about being able to financially support their future goals, down from 75% in 2021
- 42% of retirees said they retired earlier than expected, down from 68% in 2021; fewer did so due to healthcare issues (26% down from 33% in 2021) or unexpected job loss (15% down from 22% in 2021)
- 54% of non-retirees admitted to spending too much money on non-necessities during the pandemic

Allianz Life conducted an online survey, the 2022 Retirement Risk Readiness Study, in February 2022 with a nationally representative sample of 1,000 individuals age 25+ in the contiguous US with an annual household income of \$50k+ (single) / \$75k+ (married/partnered) OR investable assets of \$150k.

### **American Funds and Morningstar partner for ‘Target Date Plus’**

Capital Group, provider of the American Funds, and the Workplace Solutions group within Morningstar Investment Management LLC, a subsidiary of Morningstar, Inc., have announced a new target date service, Target Date Plus, with personalized allocation advice tailored to a retirement saver’s specific needs and objectives.

Employers can use the service as a qualified default investment alternative (QDIA). It blends the American Funds Target Date Retirement Series with Morningstar Investment Management’s experience delivering online investment advice through its user interfaces and network of integrated recordkeepers. Morningstar Investment Management serves 1.7

million managed accounts users.

“Target Date Plus underscores Capital Group’s efforts to provide more flexibility in how it distributes its investment services and is a natural evolution of the firm’s target date series. The service offers additional personalization by incorporating an individual’s age, salary, assets, savings rate, and company match rate,” according to a release this week.

“Morningstar Investment Management analyzes this information and provides the investor with a customized asset allocation and investment portfolio. Morningstar Investment Management can also inform the individual if and when they may benefit from allocating part of their savings to a guaranteed income annuity.”

Through its data network and integrations, Morningstar Investment Management obtains the necessary data points from recordkeepers to furnish and build out a personalized asset allocation and fund-level portfolio for each investor. That network also enables the service to return the investment recommendation to the recordkeeper to process and implement.

### **Prudential’s PRIAC life company upgraded by AM Best**

AM Best has removed from under review with positive implications and upgraded the Long-Term Issuer Credit Rating (Long-Term ICR) to “aa” (Superior) from “aa-” (Superior) and affirmed the Financial Strength Rating of A+ (Superior) of Prudential Retirement Insurance and Annuity Company (PRIAC), headquartered in Newark, NJ. The outlook assigned to the Credit Ratings (ratings) is stable.

The ratings reflect PRIAC’s balance sheet strength, which AM Best assesses as strongest, as well as its strong operating performance, very favorable business profile and appropriate enterprise risk management.

The rating actions reflect full rating enhancement as a group member of the lead rating unit, Canada Life Assurance Company. PRIAC is considered critical to the group’s strategy and will be fully integrated into the group’s management operations with full support of the parent company.

### **CVS sells PayFlex to Millennium Trust**

Millennium Trust, a provider of retirement and financial services for employers, institutions, advisors, and individuals, has agreed to acquire PayFlex Holdings, Inc., a provider of health savings accounts (HSAs) and consumer-directed benefit administration services, from CVS

Health Corporation.

With PayFlex's 2.4 million members and more than 2,500 clients, Millennium Trust will grow to about five million individual client accounts and \$47 billion of total assets under administration, including HSAs, health reimbursement accounts (HRAs), flexible spending accounts (FSAs), COBRA administration, and direct-billing services.

Millennium Trust will also enter into a long-term commercial relationship with affiliates of Aetna Inc., a CVS Health company. PayFlex will remain Aetna's preferred provider of HSAs and certain other consumer-directed benefit solutions for Aetna's existing and prospective healthcare plan client base.

Upon closing of the transaction, Millennium Trust intends to invest in the PayFlex business, notably in the areas of sales, service, product, and technology. The combined company will try to deepen client relationships and growth across its various business lines.

Financial terms of the transaction have not been disclosed. The acquisition is expected to close in the second quarter, subject to the satisfaction of customary closing conditions and regulatory approvals. Until closing, the two companies will continue their usual business operations as independent entities.

Kirkland & Ellis LLP is serving as legal counsel to Millennium Trust. CVS Health has engaged Fried, Frank, Harris, Shriver & Jacobson LLP and Dechert LLP as legal counsel and Wells Fargo Securities, LLC as exclusive financial advisor.

### **The Standard offers ESG indexed annuity**

The Standard has launched a new Enhanced Choice Index (ECI) single-premium fixed indexed annuity (FIA) that offers a choice of four index interest crediting strategies.

The ECI offers "the newly launched S&P 500 ESG Daily Risk Control 5% Excess Return Index, an option that aligns with the values of socially conscious clients," said Rich Lane, vice president of Individual Annuities sales and marketing at The Standard, in a release.

The four index-crediting strategy options are:

- S&P MARC 5% Excess Return Index (Ticker: SPMARC5P). It aims for more stable index performance with a diversified multi-asset index with volatility control.
- S&P 500 Daily Risk Control 5% Excess Return Index (Ticker: SPXT5UE). It uses the existing S&P 500 Index crediting design combined with a volatility target.

- S&P 500 ESG Daily Risk Control 5% Excess Return Index (Ticker: SPXESU5E). This index focuses on companies with improved environmental, social and governance characteristics and includes a volatility target.
- S&P 500 Index (Ticker: SPX). It tracks the performance of S&P 500 companies.

For a fee, policyholders can receive an enhanced index participation rate, which offers the potential for the annuity fund to grow at a higher rate. The participation rates for the five- and seven-year versions of the ECI will be guaranteed for the entire term, except for the S&P 500 Index strategy. The participation rates for the 10-year version will be renewed annually.

The Standard's ECI durations that last five, seven, or 10 years. Additional consumer benefits include the Guaranteed Minimum Accumulation Benefit, which guarantees 100% of the original premium at the end of the surrender charge period — minus any withdrawals and surrender charges — mitigating concerns about fees.

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